



Deadline: 30 June 2018

Please use this template to comment on the [Exposure Draft of ISAP 4 on IFRS 17 Insurance Contracts](#), and the proposed revisions to the [Glossary for ISAP 4](#).

The IAA invites comments on this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) Comment on the questions as stated;
- (b) Indicate the specific paragraph or group of paragraphs to which they relate;
- (c) Contain a clear rationale; and
- (d) Include any alternative that the IAA should consider, if applicable within the scope of the [Statement of Intent for ISAP 4](#).

<b>Identification and instructions</b>		
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	<b>Organization</b>
Name of organization		<b>Koninklijk Actuariel Genootschap</b>
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	<b>Not confidential</b>
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> write in the yellow shaded cells</li> <li>⇒ Write in the white cells</li> <li>⇒ When commenting on a specific paragraph:               <ul style="list-style-type: none"> <li>○ Please use a separate row for each paragraph, sub paragraph, or bullet.</li> <li>○ Please include the full reference in the first column such as “Introduction 3<sup>rd</sup> paragraph 2<sup>nd</sup> bullet” or “2.6.1.b.ii”</li> <li>○ Please insert/append extra rows as needed.</li> </ul> </li> </ul> <p><b>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to <a href="mailto:ISAP4.comments@actuaries.org">ISAP4.comments@actuaries.org</a></b></p>	



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	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	No comment
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	See our comments on specific paragraphs
Q3.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	The text in the standard is relatively high level.
Q4.	Are there other matters that should be included in this standard? Are there some included here that should not be?	No comment

	General Comments on the ISAP 4 Exposure Draft	
	We refer to the specific comments below.	

Comments on specific paragraphs of the ISAP 4 Exposure Draft		
Full paragraph reference	Change proposed to the paragraph (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
Introduction	Nevertheless, <u>actuaries</u> providing <u>actuarial services</u> in connection with <u>IFRS 17</u> may be making decisions for the <u>entity</u> , advising the <u>entity</u> on decisions, <b>ensuring regulation is complied with</b> , carrying out the calculations required or some combination of these.	We believe the actuary may have an important role in ensuring the regulation is complied with as well.
1.1	<u>Actuarial services</u> are carried out professionally, with due care <b>and comply with regulation</b>	See previous comment



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2.4	<p>A.1. <i>Identification, Separation, Recognition, Derecognition and Modification – The <u>actuary</u> should treat the processes of:</i></p> <ul style="list-style-type: none"><li>a. <i>Identification of <u>insurance contracts</u>;</i></li><li>b. <i>Separation of components from an <u>insurance contract</u>;</i></li><li>c. <i>Recognition and derecognition of <u>insurance contracts</u>;</i></li><li>d. <i><b>Determination of the level of aggregation; and</b></i></li><li>e. <i>Determination of whether an <u>insurance contract</u> modification is a change that is to be treated as derecognition of the contract and recognition of the modified contract as a new contract, or whether the modification is to be treated as a change in estimates of <u>fulfilment cash flows</u></i></li></ul> <p>as processes to which <a href="#">ISAP.1</a> paragraphs 2.7. Assumptions and Methodology Set by Actuary or 2.8. Assumptions and Methodology Prescribed applies.</p>	Determination of the level of aggregation is also part of the methodology.
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Comments on specific definitions in the Exposure Draft of the updated Glossary



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Note that only the proposed revisions are open for comment		
Defined Term	Change proposed to the definition (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)
2.4	The <u>actuary</u> should disclose in the <u>actuary's report</u> changes in the above processes, including the rationale for the changes and their impact.	In the glossary there is only a definition of "report". Is the actuary's report different? If not the terminology should be aligned.
2.6.1	For the purpose of setting assumptions, consider disaggregating <u>insurance contracts</u> into <u>separate</u> coverages with similar risks based on the nature of the insurance obligation;	Separate is not a defined term.
2.6.2	<p>Process for Updating Assumptions – If the <u>actuary</u> considers it appropriate to change the process <u>and / or methods</u> used to update a recommended assumption, the <u>actuary</u> should discuss the change with the <u>principal</u>, including whether it would constitute a change in <u>accounting policy</u> or just a change in an accounting estimate as defined in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The <u>actuary</u> should disclose in the <u>actuary's report</u> changes in the above processes, the rationale for the changes and their impact.</p>	A change in method is also relevant in the process of updating assumptions.
2.6.5.b	Expenses expected to arise from fulfilling obligations existing on the <u>measurement date</u> . This estimate should consider the <u>entity's</u> past expenses and <u>be consistent with business plans</u> ;	Consistency with the business plan is important. "Likelihood of the realization" is too vague.
2.6.6.a	Select a discount rate used to calculate the present value of the cash flows to measure the <u>fulfilment cash flows</u> that reflect the expected returns anticipated in the projection of the future cash flows. Returns on assets should be projected using prospective expectations consistent with <u>observable current market prices</u>	„expected future conditions“ do not reflect a market price.



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2.6.10 a	When deriving the discount rates applied to cash flows beyond the period for which observable market data is available, <b>use extrapolation techniques that maximize the use of observable market data and are consistent with economic expectations</b>	<b>“expected to evolve over time” is different from a forward rate. We need a forward rate (or a spot rate derived from this forward rate).</b>
2.6.10.b	When deriving the discount rates applied to cash flows of <u>insurance contracts</u> , which vary based on the returns of <b>underlying items consider either using risk neutral discount rates combined with a risk neutral projection of the underlying item or real world discount rates combined with a real world projection of the underlying item</b>	<b>The original text suggests that always a real world approach should be used, but the standard leaves this open. See B74 and B77.</b>
2.6.12.g	When advising on the <b>determination of</b> the confidence level disclosure <b>corresponding to the risk adjustment</b> , required by <u>IFRS 17</u> , where <u>risk adjustment for non-financial risks</u> has been determined using a technique other than a specified confidence level, consider:	<b>We think the original text needs clarification.</b>